

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number: 001-35551

Facebook, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-1665019

(I.R.S. Employer Identification Number)

1601 Willow Road, Menlo Park, California 94025

(Address of principal executive offices and Zip Code)

(650) 543-4800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.000006 par value	FB	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was \$563 billion based upon the closing price reported for such date on the Nasdaq Global Select Market. On January 22, 2021, the registrant had 2,405,448,410 shares of Class A common stock and 442,221,541 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

CONSUMERS EX. 12-1

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Our mission is to give people the power to build community and bring the world closer together.

We build useful and engaging products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and in-home devices. We also help people discover and learn about what is going on in the world around them, enable people to share their opinions, ideas, photos and videos, and other activities with audiences ranging from their closest family members and friends to the public at large, and stay connected everywhere by accessing our products, including:

- **Facebook.** Facebook enables people to connect, share, discover, and communicate with each other on mobile devices and personal computers. There are a number of different ways to engage with people on Facebook and build community, including Facebook News Feed, Stories, Groups, Shops, Marketplace, News, and Watch.
- **Instagram.** Instagram brings people closer to the people and things they love. It is a place where people can express themselves through photos, videos, and private messaging, and connect with and shop from their favorite businesses and creators. They can do this through Instagram Feed, Stories, Reels, IGTV, Live, Shops, and messaging.
- **Messenger.** Messenger is a simple yet powerful messaging application for people to connect with friends, family, groups, and businesses across platforms and devices through chat, video, and Rooms.
- **WhatsApp.** WhatsApp is a simple, reliable, and secure messaging application that is used by people and businesses around the world to communicate and transact in a private way.
- **Facebook Reality Labs.** Facebook Reality Labs' augmented and virtual reality products help people feel connected, anytime, anywhere. Oculus Quest lets people defy distance with cutting-edge virtual reality (VR) hardware, software, and content, while Portal helps friends and families stay connected and share the moments that matter in meaningful ways.

We generate substantially all of our revenue from selling advertising placements to marketers. Our ads enable marketers to reach people based on a variety of factors including age, gender, location, interests, and behaviors. Marketers purchase ads that can appear in multiple places including on Facebook, Instagram, Messenger, and third-party applications and websites.

Competition

Our business is characterized by innovation, rapid change, and disruptive technologies. We compete with companies providing connection and communication products and services to users online, as well as companies that sell advertising to businesses looking to reach consumers and/or develop tools and systems for managing and optimizing advertising campaigns. We face significant competition in every aspect of our business, including, but not limited to, companies that facilitate the ability of users to share, communicate, and discover content and information online or enable marketers to reach their existing or prospective audiences, including, for example, Google, Apple, YouTube, Tencent, Snap, Twitter, ByteDance, Microsoft, and Amazon. We compete to attract, engage, and retain people who use our products, to attract and retain businesses who use our free or paid business and advertising services, and to attract and retain developers to build compelling mobile and web applications that integrate with our products. We also compete with companies that develop and deliver consumer hardware and virtual reality products and services. As we introduce or acquire new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

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CONSUMERS EX. 12-3

Share-based compensation expense included in costs and expenses (as a percentage of revenue)⁽¹⁾:

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	1 %	1 %	1 %
Research and development	6	5	5
Marketing and sales	1	1	1
General and administrative	1	1	1
Total share-based compensation expense	8 %	7 %	7 %

(1) Percentages have been rounded for presentation purposes and may differ from unrounded results.

Revenue

	Year Ended December 31,			2020 vs 2019 % Change	2019 vs 2018 % Change
	2020	2019	2018		
	(in millions)				
Advertising	\$ 84,169	\$ 69,655	\$ 55,013	21 %	27 %
Other revenue	1,796	1,042	825	72 %	26 %
Total revenue	\$ 85,965	\$ 70,697	\$ 55,838	22 %	27 %

2020 Compared to 2019. Revenue in 2020 increased \$15.27 billion, or 22%, compared to 2019. The increase was mostly due to an increase in advertising revenue as a result of an increase in the number of ads delivered, partially offset by a decrease in the average price per ad.

In 2020, the number of ads delivered increased by 34%, as compared with approximately 33% in 2019. The increase in the ads delivered was driven by an increase in the number and frequency of ads displayed across our products, and an increase in users. In 2020, the average price per ad decreased by 10%, as compared with a decrease of approximately 5% in 2019. The decrease in average price per ad during the year ended December 31, 2020 was primarily driven by a decrease in advertising demand globally during the first two quarters of 2020 due to the COVID-19 pandemic and, to a lesser extent, by an increasing proportion of the number of ads delivered as Stories ads and in geographies that monetize at lower rates.

In the near-term, we anticipate that future advertising revenue growth will be determined primarily by several factors: the extent to which we continue to see increasing advertising demand in connection with the shift of commerce from offline to online, as well as increased consumer demand for purchasing products as opposed to services, as a result of the COVID-19 pandemic; the status of the economic recovery from the slowdown caused by the COVID-19 pandemic and the magnitude of fiscal stimulus; and the extent to which changes to the regulatory environment and third-party mobile operating systems and browsers result in limitations on our ad targeting and measurement tools.

Advertising spending is traditionally seasonally strong in the fourth quarter of each year. We believe that this seasonality in advertising spending affects our quarterly results, which generally reflect significant growth in advertising revenue between the third and fourth quarters and a decline in advertising spending between the fourth and subsequent first quarters. For instance, our advertising revenue increased 28%, 19%, and 23% between the third and fourth quarters of 2020, 2019, and 2018, respectively, while advertising revenue for both the first quarters of 2020 and 2019 declined 16% and 10% compared to the fourth quarters of 2019 and 2018, respectively.

No customer represented 10% or more of total revenue during the years ended December 31, 2020, 2019, and 2018.

Foreign Exchange Impact on Revenue

The general strengthening of the U.S. dollar relative to certain foreign currencies in the full year 2020 compared to the same period in 2019, had an unfavorable impact on revenue. If we had translated revenue for the full year 2020 using the prior year's

monthly exchange rates for our settlement or billing currencies other than the U.S. dollar, our total revenue and

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on this 27th day of January 2021.

FACEBOOK, INC.

Date: January 27, 2021

/s/ David M. Wehner

David M. Wehner

Chief Financial Officer